



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 telephone

(801) 359-3940 fax

(801) 538-7223 TTY

www.nr.utah.gov

Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

September 5, 2002

Rick Olsen, General Manager
Canyon Fuel Company, LLC
P.O. Box 1029
Wellington, Utah 84542

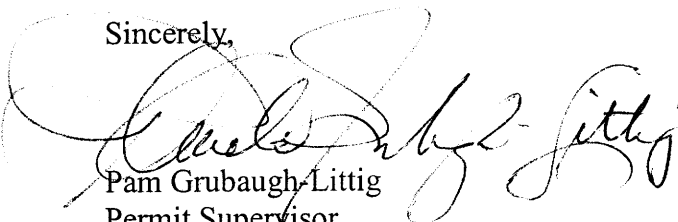
Re: Approval of Reclamation Bond Revision, Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/039-AM02C, Outgoing File

Dear Mr. Olsen:

The above-referenced amendment is approved effective August 29, 2002. The amount of the bond has been revised from \$3,682,000 to \$1,645,000 in 2003 dollars due to detailed earthwork calculations. You may rider your surety bond to \$1,645,000 to reflect this change. A stamped incorporated copy is enclosed for your copy of the Mining and Reclamation Plan.

If you have any questions, please feel free to call me at (801) 538-5263.

Sincerely,


Pam Grubaugh-Littig
Permit Supervisor

an

Enclosure

cc

Ranvir Singh, OSM

Tom Rasmussen, BLM

Mark Page, Water Rights w/o

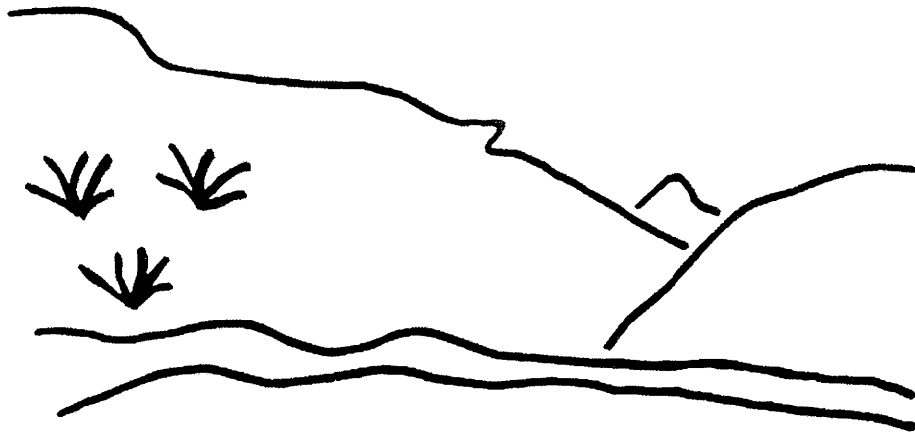
Dave Ariotti, DEQ w/o

Derris Jones, DWR w/o

Price Field Office

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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Dugout Canyon Mine
Canyon Fuel Company, LLC
C/007/039-AM02C-1
Technical Analysis
August 27, 2002

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TECHNICAL ANALYSIS

TECHNICAL ANALYSIS

The Division regulates the Surface Mining Control and Reclamation Act of 1977(SMCRA). When mines submit a Permit Application Package or an amendment to their Mining and Reclamation Plan, the Division reviews the proposal for conformance to the R645-Coal Mining Rules. This Technical Analysis is such a review. Regardless of these analyses, the permittee must comply with the minimum regulatory requirements as established by SMCRA.

Readers of this document must be aware that the regulatory requirements are included by reference. A complete and current copy of these regulations and a copy of the Technical Analysis and Findings Review Guide can be found at <http://ogm.utah.gov/coal>

This Technical Analysis (TA) is written as part of the permit review process. It documents the Findings that the Division has made to date regarding the application for a permit and is the basis for permitting decisions with regard to the application. The TA is broken down into logical section headings which comprise the necessary components of an application. Each section is analyzed and specific findings are then provided which indicate whether or not the application is in compliance with the requirements.

Often the first technical review of an application finds that the application contains some deficiencies. The deficiencies are discussed in the body of the TA and are identified by a regulatory reference which describes the minimum requirements. In this Technical Analysis we have summarized the deficiencies at the beginning of the document to aid in responding to them. Once all of the deficiencies have been adequately addressed, the TA will be considered final for the permitting action.

It may be that not every topic or regulatory requirement is discussed in this version of the TA. Generally only those sections are analyzed that pertain to a particular permitting action. TA's may have been completed previously and the revised information has not altered the original findings. Those sections that are not discussed in this document are generally considered to be in compliance.

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TECHNICAL ANALYSIS

INTRODUCTION

INTRODUCTION

The Division and the Permittee worked together to calculate the reclamation cost estimate for the Dugout mine. The reclamation costs were calculated on the methodology based in the Handbook for Calculation of Reclamation Bond Amounts by OSM. The reasons for the bond calculation revision are 1) as part of the midterm review the Division update reclamation costs based and 2) in the original reclamation cost estimates, the Permittee made some simplifying earthwork assumption that greatly increased the costs. As part of the updated reclamation cost estimate, the Permittee include detailed earthwork calculations.

During the summer of 2002, the Permittee submitted detailed reclamation cost data to the Division. The Division reviewed the data and calculated the reclamation cost for the Dugout mine to be \$1,645,000 in 2003 dollars.

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INTRODUCTION

RECLAMATION PLAN

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

Determination of Bond Amount

The current bond amount for the Dugout Mine is \$3,682,000 in 2003 dollars. The bond was original calculated as part of the permitting process. Due to time constrains the Permittee was unable to develop detailed earthwork calculations, so the elected to use highly conservative assumptions when calculating the reclamation cost estimate. The Division agreed to accept the earthwork calculation with the understanding that the Permittee would revise the reclamation cost estimate with methods recommended in OSM's Handbook for Calculation of Reclamation Bond Amounts.

During the summer of 2002, the Permittee submitted detailed reclamation cost data to the Division. The Division reviewed the data and calculated the reclamation cost for the Dugout mine to be \$1,645,000 in 2003 dollars. The bond calculations for the Dugout mine are located in the "O" drive under the Dugout mine in the bond folder. The Permittee include a copy of the Division reclamation cost estimate in the amendment. The Division's reclamation cost estimate will be part of the MRP.

Because the posted bond amount is greater that the reclamation cost estimate calculated by the Division, the Division will not require the Permittee to take any action at this time. However, the Division should inform the Permittee that they could reduce the bond amount from \$3,682,000 to \$1,645,000.

Findings:

The information provided in the amendment meets the minimum bonding and insurance requirements section of the regulations.